



# WEEKLY ECONOMIC DIGEST

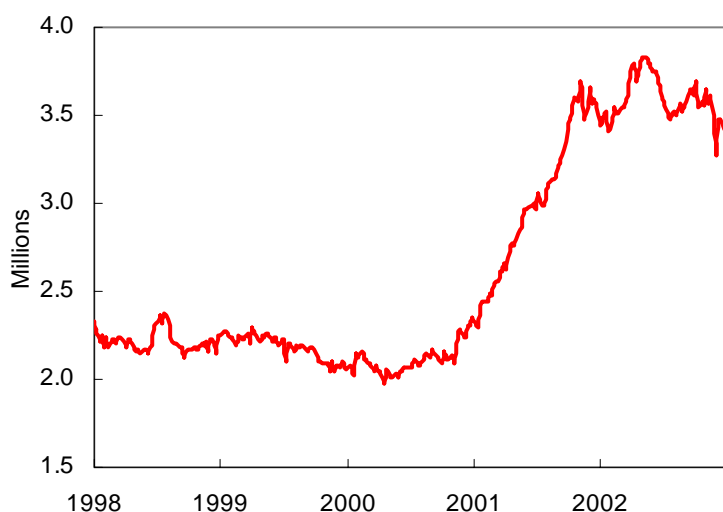


JOINT ECONOMIC COMMITTEE – DEMOCRATIC STAFF  
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January 8, 2003

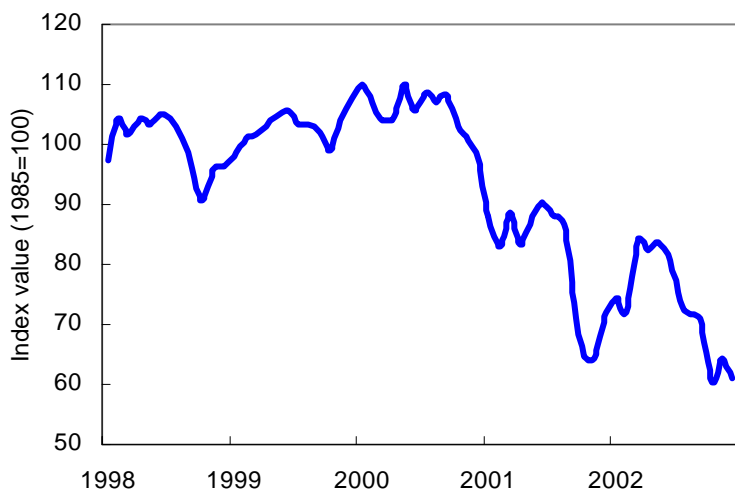
## U.S. Economy Enters 2003 with Little Momentum

Continuing Claims for Unemployment Insurance



Source: Employment and Training Administration, U.S. Department of Labor.

Index of Consumer Confidence



Source: The Conference Board.

- **Joblessness persists.** Weekly initial claims for unemployment insurance averaged 418,750 over the four weeks ending December 28, a level high enough to suggest that the economy is not yet creating jobs. Continuing claims have remained close to the level that prevailed at the end of last year. Moreover, businesses report that their payrolls continued to contract in December. Most analysts expect Friday's report on the employment situation in December to show little change from the month before.
- **Consumer spending grew in November but consumer confidence is flagging.** Personal consumption expenditures rose by 0.5 percent in November (after adjustment for inflation). But continued strength in consumer spending could be undermined by persistent joblessness, job insecurity, and further declines in equity wealth. The Conference Board's measure of consumer confidence declined sharply in December, largely as a result of the discouraging jobs outlook.
- **Factory output barely grew in November.** Manufacturing production increased by a mere 0.1 percent in November after falling 0.7 percent over the previous two months. New orders for nondefense capital goods excluding aircraft—an important indicator of future business investment—slipped by 2.6 percent in November to a level that was just below last year's pace. Although surveys of purchasing managers indicated that factory orders have picked up last month, it will take sustained increases over many months for a recovery in capital spending to gain traction.
- **The near-term outlook remains uncertain.** Most forecasters expect the overall economy to grow at about a 3 percent rate this year, somewhat stronger than last year but not enough to lower the unemployment rate appreciably from its current level. Further declines in equity wealth, weak export markets, and, above all, uncertainties associated with a possible war with Iraq add considerable downside risk to the modest consensus outlook.

<b>Economy At A Glance</b>	Dec	Nov	Oct	Sep	2002 Qrt 4	2002 Qrt 3	2002 Qrt 2	2002 Qtr 1	2002	2001
<b>Economic Activity</b>										
Real GDP (% growth)						4.0	1.3	5.0		0.3
Industrial Production (% growth)		1.2	-7.0	0.0		3.4	4.4	1.4		-5.7
Capacity Utilization (Level, %)		75.6	75.5	76.1		76.2	75.7	75.1		77.3
Civilian Unemployment Rate (Level, %)*		6.0	5.7	5.6		5.7	5.9	5.6		4.8
Housing Starts (Thousands)		1697	1657	1808		1697	1667	1725		1603
Real Disposable Personal Income (% growth)		3.7	2.4	2.4		3.1	3.9	14.5		1.8
Retail Sales (% growth)		4.9	1.2	-16.6		6.5	4.3	-3.6		3.9
Personal Saving Rate (Level, %)		4.3	4.4	4.4		3.8	4.0	3.5		2.3
<b>Inflation &amp; Productivity</b>										
CPI-U Inflation, All Items (% growth)		1.2	3.7	2.4		1.9	3.4	1.4		2.8
Core CPI-U Inflation (% growth)		2.4	2.4	1.2		2.0	2.2	2.3		2.7
Compensation per Hour (% growth)						2.4	4.5	3.6		4.1
Output per Hour (% growth)						5.1	1.7	8.6		1.1
<b>Financial Markets</b>										
T-Bill Rate, 3-month (Level, %)	1.2	1.2	1.6	1.6	1.3	1.6	1.7	1.7	1.6	3.4
T-Note Rate, 10-years (Level, %)	4.0	4.1	3.9	3.9	4.0	4.3	5.1	5.1	4.6	5.0
Federal Funds Rate (Level, %)	1.2	1.3	1.8	1.8	1.4	1.7	1.8	1.7	1.7	3.9
Dow Jones Industrial Avg (Index level)	8527	8626	8048	8161	8400	8488	9913	10105	9226	10189

Sources: Bureau of Economic Analysis, U.S. Department of Commerce; Bureau of the Census, U.S. Department of Commerce; Bureau of Labor Statistics, U.S. Department of Labor; Board of Governors of the Federal Reserve System; Wall Street Journal; and, Haver Analytics.

Notes: Except where otherwise noted, values in the table represent percentage growth measured at seasonally adjusted **annual** rates. Growth in retail sales includes food services. Core CPI-U inflation is the percentage change in the CPI-U excluding food and energy as reported by the Bureau of Labor Statistics. Compensation is the Employment Cost Index for workers in private industry. Productivity is output per hour for private nonagricultural establishments. The 3-month Treasury bill rate is the secondary market rate.

\* Subject to revision this week.

#### Upcoming Economic Releases:

- **Manufacturer's Shipments, Inventories, and Orders, November 2002** [Release: Tuesday, January 7]
- **Consumer Credit, November 2002** [Release: Wednesday, January 8]
- **The Employment Situation, December 2002** [Release: Friday, January 10]